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SUBJECT: THE ELLOUMI GROUP: A TUNISIAN COMPANY SUCCESS STORY

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Summary

¶1. (U) The Elloumi Group calls itself Tunisia's most international company. Starting out as an electrical equipment manufacturer in the late 1940s, the group has grown to become one of Tunisia's most diverse and successful global companies, expanding operations into cable and electrical component manufacturing for the auto industry, industrial cable production, real estate, food processing and consulting. With over 7,000 employees, factories in Europe, the Maghreb and Latin America, over US \$900 million in turnover, and active expansion plans, the company is a true Tunisian success story. During the Ambassador's March 18 visit to two Elloumi Group factories just outside Tunis, the group's CEO admitted a key to their success was using an American business model. Although the economic crisis affected sales in late 2008, the Elloumi Group has bounced back with strong growth figures for early 2009. End Summary.

Overview of the Elloumi Group

¶2. (U) The Elloumi Group began in 1946, founded by Mohamed Taoufik Elloumi, father of current Elloumi Group CEO Faouzi Elloumi. The first company in the group, Elloumi, Inc., specialized in electrical contracting for low, medium, and high voltage networks, as well as manufacturing of electrical equipment and household products. Over the next 40 years, the Elloumi Group became a holding company, where each core business activity split into separate groups. They expanded into manufacturing of cable, power and telecom wires as well as design and manufacturing of household appliances. By 1986, they had created four separate groups. The largest, Cofat, still produces automotive electrical and electronic distribution systems, and Coficab, another of the original four, produces cable. In the late 1980s, a division of Cofat formed a joint venture with Delphi corporation, an American automotive products and systems manufacturer. Since that partnership, the Elloumi Group has expanded into real estate, agricultural research and production, food processing, and consulting in management and information systems.

13. (U) Today, the Elloumi Group has 7,000 employees and factories in Tunisia, Egypt, Morocco, Romania and Portugal. They have research and development facilities in Tunisia and Portugal, and their worldwide delivery network includes clients from Mexico, Botswana, Australia, Ireland, Sweden, and Iran. With a 25 percent market share, Cofat is the second largest supplier of automotive cables and wire harnesses for the EU. According to Faouzi Elloumi, Cofat provides half of Chrysler's DC cables in the United States, and half of Volkswagen's and Peugeot's DC cables in Europe. They are also a large supplier of the Lear Company, an American automotive seat and electrical distribution systems manufacturer, which also has a subsidiary in Tunisia. Cofat has control over their entire production line, and uses heavy equipment imported from the United States, Austria, Switzerland and Germany.

14. (U) The Elloumi Group's food processing branch, Stifen Company, also has a fully integrated product chain. Concentrating mainly on frozen fruits, they supply Kellogg's, Danone and Nestle. They report covering 100 percent of the Tunisian market for fruits destined for yogurt and ice cream and 70 percent of the Algerian market. Silfen recently presented their artisanal jams at the Fancy Foods Trade Show in San Francisco in January of this year.

The Secret to Success: Following a US Company Model

15. (U) According to Faouzi Elloumi, the Elloumi Group's structure (a holding company and split groups based on business activity) is based on the General Motors (GM) business model. He said his vision for the group is akin to that of IBM, with gradual targeted expansion into certain foreign markets. Elloumi also credited cooperation with Delphi as the first step in industrialization and modernization for the group. As part of the joint venture with Delphi, the Elloumi Group bought shares of the company and signed a 10 year cooperation agreement with them, which they extended recently to 19 years.

16. (U) According to Hichem Elloumi, the CEO of Chakira, part of Elloumi Group's cable production division, the impetus to build factories abroad came after a sales trip to Europe. The prospective Portuguese buyer told the Group they would not purchase from them based out of Tunisia, rather only if they produced locally. Stifen, on the other hand, was born after the Ministry of Industry approached the Elloumi Group requesting their assistance in industrializing the agricultural sector.

17. (U) Internally, the group takes cues from GM on how to manage internal employee relations by focusing on cultural differences and emphasizing continuous training. Faouzi Elloumi noted that their plant in Mexico integrated more religious and local cultural events into factory schedules, and that for the inauguration of their Portuguese plant they hired a Catholic priest to bless the premises. Employees undergo frequent training, with an average of 20,000 training sessions per year globally. The official language of the Elloumi Group is English, and they place a high premium on English skills when hiring. In fact, Faouzi Elloumi said it is easier for the company to hire skilled English speakers and subsequently train them in technical skills than vice-versa.

Finances and What's Next for Elloumi Group

18. (U) The Elloumi Group reports a US \$900 million turnover rate for 2008, which is a downward revised figure from a projected US \$1 billion. Faouzi Elloumi explained this was due to the global economic crisis, which led to a 50 percent decrease in demand for the last three months of 2008. Although production has decreased significantly for large cars and trucks since mid-2008 (down 50 percent for Volvo

trucks, for instance), the Elloumi Group reported 14 percent growth year-on-year for the first two months of 2009. This was due to a rise in production for smaller cars. Orders for wire harnesses for the Fiat Punto were down to 800 per day in late 2008, but rose to 1800 per day by March 2009.

¶9. (U) In general, the Elloumi Group takes on six-year debt for new country investments. For internal financing, Cofat uses internal capital only and does not take on external debt. Coficab only takes short-run working capital loans of two years from international banks. As a result, the company has not been affected by the global credit crunch.

¶10. (U) The Elloumi Group is going ahead with 2009 expansion plans, albeit with a few delays due to the economic crisis. Cofat will start construction on a 14 hectare industrial park in Medjez El Bab (Tunisia) in July 2009, which represents a three month delay from the original ground breaking date. They are also planning to construct an eight hectare park in Brazil -- a cooperative agreement with Delphi whereby each company will have two plants in the park. The Elloumi Group has also been approached by customers who want to invest in Iran, and they are studying this possibility.

COMMENT

¶11. (SBU) The Elloumi Group's story is an example of how a relatively small company can expand globally with the right vision and business model. Its 60 year trajectory is notable given the breadth of its activities in disparate sectors. Although the automotive industry has been affected worldwide by the economic crisis, the Elloumi Group seems to be weathering it. The Elloumi family is clearly close to Tunisia's leaders, which no doubt has helped the group over the years. Today, however, its size and international operations appear to have given it a degree of independence. The Elloumi Group is certainly a model for other Tunisian enterprises who wish to enter the global market. It is a Tunisian success story. End Comment.
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